

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Siegfried Crandall P.C.</i>			Date	

Township of Leroy
Calhoun County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended March 31, 2006

CONTENTS

	Page
INDEPENDENT AUDITORS' REPORT	3 - 4
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net assets	5
Statement of activities	6
Fund financial statements:	
Balance sheet - governmental funds	7
Statement of revenues, expenditures, and changes in fund balances - governmental funds	8
Notes to financial statements	9 - 14
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	15 - 16
SUPPLEMENTARY INFORMATION	
Balance sheet - nonmajor governmental fund	17
Statement of revenues, expenditures, and changes in fund balance - nonmajor governmental fund	18
INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS	19

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Township of Leroy, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Leroy, Michigan, as of March 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Township of Leroy, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Leroy, Michigan, as of March 31, 2006, and the respective changes in financial position thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The budgetary comparison information on pages 15 through 16, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it. Leroy Township, Michigan has not presented the management's discussion and analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Leroy, Michigan's, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2006, on our consideration of the Township of Leroy, Michigan's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Sigfried Crandall P.C.

May 18, 2006

BASIC FINANCIAL STATEMENTS

Township of Leroy
STATEMENT OF NET ASSETS
March 31, 2006

	<u>Governmental activities</u>
ASSETS	
Current assets:	
Cash	\$ 413,589
Investments	297,899
Receivables, net	<u>42,757</u>
Total current assets	754,245
Noncurrent assets - capital assets, net of accumulated depreciation	<u>743,513</u>
Total assets	<u>1,497,758</u>
LIABILITIES	
Current liabilities:	
Payables	13,203
Current portion of long term debt	<u>28,793</u>
Total current liabilities	41,996
Noncurrent liabilities - long-term debt	<u>14,760</u>
Total liabilities	<u>56,756</u>
NET ASSETS	
Invested in capital assets, net of related debt	699,960
Restricted for public works	2,000
Unrestricted	<u>739,042</u>
Total net assets	<u>\$ 1,441,002</u>

See notes to financial statements

Township of Leroy
STATEMENT OF ACTIVITIES
Year ended March 31, 2006

	<u>Program revenues</u>				<u>Net (expenses) revenues and changes in net assets</u>
	<u>Expenses</u>	<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>	<u>Governmental activities</u>
Functions/Programs					
Governmental activities:					
Legislative	\$ 3,036	\$ -	\$ -	\$ -	\$ (3,036)
General government	252,901	22,596	869	-	(229,436)
Public safety	99,090	50,568	-	92,711	44,189
Public works	86,405	5,367	5,723	-	(75,315)
Community and economic development	21,896	5,001	-	-	(16,895)
Culture and recreation	<u>3,573</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,573)</u>
Total governmental activities	<u>\$ 466,901</u>	<u>\$ 83,532</u>	<u>\$ 6,592</u>	<u>\$ 92,711</u>	<u>(284,066)</u>
General revenues:					
Taxes					74,961
State grants					221,558
Licenses and permits					2,094
Investment income					23,642
Other					<u>250</u>
Total general revenues					<u>322,505</u>
Change in net assets					38,439
Net assets - beginning					<u>1,402,563</u>
Net assets - ending					<u>\$ 1,441,002</u>

See notes to financial statements

Township of Leroy
BALANCE SHEET - governmental funds

March 31, 2006

	<u>General</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
ASSETS			
Cash	\$ 411,589	\$ 2,000	\$ 413,589
Investments	297,899	-	297,899
Receivables	42,757	-	42,757
Total assets	<u>\$ 752,245</u>	<u>\$ 2,000</u>	<u>\$ 754,245</u>
LIABILITIES AND FUND BALANCES			
Liabilities - payables	13,203	-	13,203
Fund balances - unreserved, undesignated	<u>739,042</u>	<u>2,000</u>	<u>741,042</u>
Total liabilities and fund balances	<u>\$ 752,245</u>	<u>\$ 2,000</u>	<u>\$ 754,245</u>
Total fund balances - total governmental funds			\$ 741,042
Amounts reported for <i>governmental activities</i> in the statement of net assets (page 6) are different because:			
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.			743,513
Long-term liabilities, including contracts payable, are not due and payable in the current period and, therefore, are not reported in the funds.			<u>(43,553)</u>
Net assets of <i>governmental activities</i>			<u>\$ 1,441,002</u>

See notes to financial statements

Township of Leroy

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - governmental funds**

Year ended March 31, 2006

	<u>General</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
REVENUES			
Taxes	\$ 84,295	\$ -	\$ 84,295
Licenses and permits	53,612	-	53,612
Federal grants	92,711	-	92,711
State grants	227,281	-	227,281
Charges for services	16,812	506	17,318
Interest and rentals	25,001	11	25,012
Other	5,111	-	5,111
Total revenues	<u>504,823</u>	<u>517</u>	<u>505,340</u>
EXPENDITURES			
Legislative	3,036	-	3,036
General government	359,957	-	359,957
Public safety	154,371	-	154,371
Public works	86,405	-	86,405
Community and economic development	21,896	-	21,896
Culture and recreation	3,573	-	3,573
Capital outlay	7,803	-	7,803
Debt service:			
Principal	27,848	-	27,848
Interest	1,961	-	1,961
Total expenditures	<u>666,850</u>	<u>-</u>	<u>666,850</u>
NET CHANGES IN FUND BALANCES	(162,027)	517	(161,510)
FUND BALANCES - BEGINNING	<u>901,069</u>	<u>1,483</u>	<u>902,552</u>
FUND BALANCES - ENDING	<u>\$ 739,042</u>	<u>\$ 2,000</u>	<u>\$ 741,042</u>
Net change in fund balances - total governmental funds			\$ (161,510)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:			
Increase:			
Capital outlay			219,860
Payment of principal on long term liabilities			27,848
Decrease - provision for depreciation			<u>(47,759)</u>
Change in net assets of <i>governmental activities</i>			<u>\$ 38,439</u>

See notes to financial statements

Township of Leroy
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Township of Leroy, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The major individual governmental fund is reported as a separate column in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable only when cash is received by the government.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

The Township reports the following major governmental fund:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Capital assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets prospectively, beginning April 1, 2005.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipment	3 - 5 years
Vehicles	3 - 5 years
Roads	5 - 30 years

iv) Fund equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) Assets, liabilities, and net assets or equity:

v) Property tax revenue recognition - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, after which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the current year.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year. The Township had no budget variations requiring disclosure.

NOTE 3 - CASH AND INVESTMENTS:

The Township's total cash and investments are reported as follows:

	<u>Governmental activities</u>
Deposits	\$ 413,239
Cash on hand	350
Investments	<u>297,899</u>
	<u>\$ 711,488</u>

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority. At March 31, 2006, the Township had deposits with a carrying amount of \$413,239.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At March 31, 2006, \$88,830 of the Township's bank balances of \$447,422 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - CASH AND INVESTMENTS (Continued):

Investments:

State statutes authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds; and f) investment pools organized under the local government investment pool act. Not more than 50% of any fund may be invested in commercial paper.

Investments at March 31, 2006, consist of U.S. government securities, which are uninsured and unregistered investments held by a broker-dealer in the Township's name. Investments are carried at fair market value as follows:

<i>Investment</i>	<i>Interest rate</i>	<i>Maturity date</i>	<i>Fair market value</i>
U.S. Treasury Note	4.63%	5/15/2006	\$ 50,861.00
U.S. Treasury Note	3.50%	11/15/2006	50,235.00
U.S. Treasury Note	4.38%	5/15/2007	50,552.00
U.S. Treasury Note	3.00%	11/15/2007	49,130.00
U.S. Treasury Note	3.25%	8/15/2008	48,448.00
U.S. Treasury Note	3.38%	12/15/2008	48,673.00
			<u>\$ 297,899.00</u>

The Township's investments are subject to several types of risk, which are discussed below:

1) Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, the Township will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. State statutes and the Township's investment policy do not contain requirements that would limit the exposure to custodial credit risk for investments; 2) Interest rate risk is the risk that the value of an investment will decrease as a result of an increase in market interest rates. Generally, longer investment maturities generate more sensitivity to changes in an investment's fair value due to changes in market interest rates. The Township monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The Township's investment policy has no specific limitations with respect to maturities of investments; 3) Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Obligations of the U.S. Government are not considered to have credit risk..

NOTE 4 - RECEIVABLES:

Receivables as of year end for the Township's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Totals</i>
General	<u>\$ 36,844</u>	<u>\$ 5,913</u>	<u>\$ 42,757</u>

All receivables are considered fully collectible, and are due within one year.

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - CAPITAL ASSETS:

Capital asset activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 36,143	\$ -	\$ -	\$ 36,143
Capital assets being depreciated:				
Buildings	295,508	123,402	-	418,910
Equipment and vehicles	716,717	96,458	-	813,175
Subtotal	<u>1,012,225</u>	<u>219,860</u>	<u>-</u>	<u>1,232,085</u>
Less accumulated depreciation for:				
Buildings	118,338	9,421	-	127,759
Equipment and vehicles	358,618	38,338	-	396,956
Subtotal	<u>476,956</u>	<u>47,759</u>	<u>-</u>	<u>524,715</u>
Total capital assets being depreciated (net)	<u>535,269</u>	<u>172,101</u>	<u>-</u>	<u>707,370</u>
Governmental activities capital assets, net	<u>\$ 571,412</u>	<u>\$ 172,101</u>	<u>\$ -</u>	<u>\$ 743,513</u>

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 15,730
Public safety	<u>32,029</u>
Total governmental activities	<u>\$ 47,759</u>

NOTE 6 - LONG-TERM DEBT:

Long-term debt at March 31, 2006, is comprised of the following individual issues:

Note payable:

\$137,091 installment purchase agreement under P.A. 99, September 20, 2002, to purchase a fire truck, payments are due in monthly installments of \$2,484 including interest; final payment is due July 2008.

\$ 43,553

Township of Leroy
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - LONG-TERM DEBT (Continued):

Long-term liability activity for the year ended March 31, 2006, was as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Note payable	\$ 71,401	\$ -	\$ (27,848)	\$ 43,553	\$ 28,793

Debt service requirements at March 31, 2006, were as follows:

	<u>Principal</u>	<u>Interest</u>
Year ended March 31:		
2007	\$ 28,793	\$ 1,016
2008	14,760	145
Totals	\$ 43,553	\$ 1,161

NOTE 7 - CONSTRUCTION CODE ACT:

A summary of construction code enforcement transactions for the year ended March 31, 2006, is as follows:

Revenues	\$ 50,568
Expenses	<u>52,907</u>
Deficiency of revenues over expenses	<u>\$ (2,339)</u>

NOTE 8 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for each of these claims and is neither self-insured, nor participates in a shared-risk pool. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 - RESTRICTED NET ASSETS:

Governmental activities net assets as of March 31, 2006, in the amount of \$2,000 are restricted for utility system maintenance.

REQUIRED SUPPLEMENTARY INFORMATION

Township of Leroy**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended March 31, 2006

	Original budget	Amended budget	Actual	Variance favorable (unfavorable)
REVENUES				
Taxes	\$ 82,576	\$ 82,576	\$ 84,295	\$ 1,719
Licenses and permits	51,500	51,500	53,612	2,112
Federal grants	92,711	92,711	92,711	-
State grants	214,700	214,700	227,281	12,581
Charges for services	9,150	9,150	16,812	7,662
Interest and rentals	17,500	17,500	25,001	7,501
Other	4,300	4,300	5,111	811
Total revenues	472,437	472,437	504,823	32,386
EXPENDITURES				
Legislative	4,200	4,200	3,036	1,164
General government:				
Supervisor	17,100	17,100	16,319	781
Election	11,115	11,115	(241)	11,356
Assessor	21,000	21,000	20,477	523
Clerk	26,100	26,100	24,072	2,028
Board of review	2,300	2,300	1,118	1,182
Treasurer	31,500	31,500	27,978	3,522
Hall and grounds	8,150	8,150	5,473	2,677
Cemetery	47,200	47,200	46,303	897
Other	268,430	268,430	218,458	49,972
Total general government	432,895	432,895	359,957	72,938
Public safety - fire	166,967	166,967	154,371	12,596
Public works:				
Highways and streets	26,650	26,650	24,589	2,061
Street lights	11,100	11,100	8,649	2,451
Other	72,693	72,693	53,167	19,526
Total public works	110,443	110,443	86,405	24,038
Community and economic development - planning and zoning	30,825	30,825	21,896	8,929

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended March 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Recreation and culture - parks and recreation	<u>\$ 10,200</u>	<u>\$ 10,200</u>	<u>\$ 3,573</u>	<u>\$ 6,627</u>
Capital outlay	<u>92,100</u>	<u>32,100</u>	<u>7,803</u>	<u>24,297</u>
Debt service:				
Principal	<u>27,848</u>	<u>27,848</u>	<u>27,848</u>	<u>-</u>
Interest	<u>1,961</u>	<u>1,961</u>	<u>1,961</u>	<u>-</u>
Total expenditures	<u>877,439</u>	<u>817,439</u>	<u>666,850</u>	<u>150,589</u>
NET CHANGES IN FUND BALANCES	<u>(405,002)</u>	<u>(345,002)</u>	<u>(162,027)</u>	<u>182,975</u>
FUND BALANCES - BEGINNING	<u>901,069</u>	<u>901,069</u>	<u>901,069</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 496,067</u>	<u>\$ 556,067</u>	<u>\$ 739,042</u>	<u>\$ 182,975</u>

SUPPLEMENTARY INFORMATION

Township of Leroy
BALANCE SHEET - nonmajor governmental fund
March 31, 2006

	<u>Utility Fund</u>
ASSETS	
Cash	\$ <u>2,000</u>
FUND BALANCE	
Unreserved, undesignated	\$ <u>2,000</u>

Township of Leroy
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - *nonmajor governmental funds*
Year ended March 31, 2006

	<u><i>Utility Fund</i></u>
REVENUES	
Charges for Services	\$ 506
Interest	<u>11</u>
NET CHANGE IN FUND BALANCES	517
FUND BALANCE - BEGINNING	<u>1,483</u>
FUND BALANCE - ENDING	<u><u>\$ 2,000</u></u>

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

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800-876-0979

Fax 269-349-1344

Township Board
Township of Leroy, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Leroy, Michigan, as of and for the year ended March 31, 2006, and have issued our report thereon dated May 18, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Leroy's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Leroy, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Township Board, management, the U.S. Department of Homeland Security, and is not intended to be, and should not be, used by anyone other than these specified parties.

Siegfried Crandall P.C.

May 18, 2006